

15

November 3, 1975

HISTORICAL NARRATIVE
ON THE \$2 BILL

WS-445

The \$2 denomination enjoys a rich tradition in American history. The \$2 bill originated on June 25, 1776, when the Continental Congress authorized issuance of \$2 denominations in "bills of credit for the defense of America." Under this authority, 49,000 bills of \$2 denomination were issued.

During the Civil War, a July 11, 1862, Act of Congress permitted the \$2 denomination as U.S. Currency, and it re-appeared in subsequent years as over-size U.S. Notes, Silver Certificates, Treasury notes and National Currency using a number of different portraits, including Alexander Hamilton, James B. McPherson, Winfield S. Hancock, William Windom, and George Washington.

In 1928, the more familiar size \$2 U.S. Note with the portrait of Thomas Jefferson, third U.S. President and author of The Declaration of Independence, was issued.

The most recent printing of the \$2 denomination was the 1963-1963A series of U.S. notes last printed in May 1965 and officially discontinued by the Treasury Department on August 10, 1966. At that time, low levels of public demand were cited as the primary reason for discontinuance. These low circulation levels have subsequently been attributed to the low production levels of the bill, which was printed solely to help meet statutory requirements for approximately \$320 million of U.S. Notes. The total volume of the \$2 bill was \$139,321,994 on June 30, 1966, or approximately one-third of one percent of total outstanding currency; these low production levels helped create an image of scarcity to the general public. The general unavailability of the bills combined with historical superstitions, resulted in increased Government costs of handling, printing, distributing and destroying these "oddities."

The 1963 Series A note, which was most popular in New England and some western states, bore Jefferson on its face and Monticello on the reverse. It was a U.S. Note and bore the signatures of then Secretary of the Treasury Henry Fowler and Treasurer of the United States Kathryn O. Granahan.

Since 1966, and particularly in the past eighteen months, there has been increasing interest in a \$2 note as expressed by Congress, the American Revolution Bicentennial Administration (ARBA), the general press, the public, the Federal Reserve System and collectors. Various bills have been introduced in Congress, usually calling for a specific design or commemorative issue. On September 30, 1970, ARBA unanimously proposed reissuance of a \$2 note with a Bicentennial design (Ref. Transcript of Proceeding, Advisory Panel on Coins and Medals, p. 232, 9/30/70). The Director of the Bureau of Engraving and Printing, responsible

for the printing of all U.S. currency, first proposed reissuance of the \$2 note in 1969 to achieve cost savings through a reduction in the printing volume for \$1 bills. Various study groups and task forces composed of members from the Treasury Department, Federal Reserve System and Bureau of Engraving and Printing have studied the \$2 note situation. In December, 1974, the Federal Reserve commissioned a study by a group of Harvard Business School graduate students to evaluate the marketing feasibility of reissuing the \$2 bill. This study, completed in May 1975, found no latent public demand for the \$2 denomination, but did find that if reissued in substantial quantity the public would use the note. The study also noted that public "superstitions" and misconceptions could be easily overcome. Retailers and bankers indicated support for the note if it is issued in sufficient quantity to meet demand, if it is demanded by the public and if it is issued as a permanent part of the circulating currency (Copies of the Harvard study Executive Summary available upon request to Mr. Steven Sarle, Department of the Treasury, Main Treasury Building, Office of Public Affairs, Washington, D.C., 20220, telephone (202)964-2042).

Based on the results of these various reports and increased public interest, the Secretary of the Treasury believes it to be in the best interest of the American public and economy to reissue the \$2 bill. The average annual requirement for \$1 notes is 1.7 billion pieces of currency or 55-60 percent of all currency requirements. By supplanting one-half the face value of the annual requirement for \$1 notes with \$2 notes, the Treasury can save substantial manufacturing costs. The amount to be saved is estimated to be \$35 million over the next five years (FY 1976 through FY 1981) or \$27 million in 1976 dollar-terms. Savings to the Bureau of Engraving and Printing and the Federal Reserve System will result from reduction in sorting, printing, maintenance, storage, custody, shipping, destruction and improved space utilization at the Bureau.

A Bicentennial design was selected to help maximize public acceptance and interest, though the new note is not simply a commemorative issue. The Treasury plans to issue 400 million notes per year to assure sufficient volume as a circulating medium and intends that the \$2 note become a permanent part of our currency. At these levels of production the \$2 note will provide great convenience to the American people by accommodating the decreased purchasing power of \$1 bills due to worldwide inflation since 1966 and allowing the public to carry fewer \$1 bills. It is the Treasury's hope that these consumer conveniences, combined with potential cost savings and the appealing design of the new note, will assure its acceptance by the public.

The new note will be produced from a steel intaglio engraving similar to all other denominations of U.S. currency. The face measures 2.36" x 5.90" on the master die, and the back 2.18" x 5.61" on the back master die. Printing will be accomplished from 32 subject plates, using the same green and black inks as used on all

other currency. The face design, featuring a portrait of Thomas Jefferson painted in the early 1800's by Gilbert Stuart, incorporates the principal features of the previous \$2 U.S. note, with a change in designation to Federal Reserve Note. A Federal Reserve Bank seal will supplant the numeral "2" on the left, and Federal Reserve Bank identification numbers will be added. As required by law the note will bear the signatures of William E. Simon, Secretary of the Treasury, and Francine I. Neff, Treasurer of the United States. The Series date will be 1976.

The back design of the \$2 bill is completely new. The vignette is surrounded by a geometric lathe border with the ribbon title and denominations in bank note Roman lettering. The words "In God We Trust" appear at the bottom center in Gothic lettering, and the title "Declaration of Independence 1776" is in Roman lettering in the center of the lower border. The engraved vignette on the back of the \$2 note is based on the painting, "The Signing of the Declaration of Independence" by John Trumbull. The vignette on the \$2 note differs from the original painting in that production, security and aesthetic considerations required dropping six figures from the rendition; the six appeared on the extreme left and right hand borders. The original work was done by Trumbull during the post-Revolutionary War period. He later was commissioned to reproduce the painting in the Capitol Rotunda in Washington, D.C. The only perceptible difference between the painting and the mural is that in the painting the foreground figures appear to be seated on a wooden platform, while in the mural the platform appears to be covered by a rug. The original painting is now in the Trumbull Gallery, Yale University.

The Secretary of the Treasury has authority to determine denomination and design of all currency. The \$2 note does not require legislation since it already is authorized as a Federal Reserve Note or U.S. Note by the Federal Reserve Act of 1913. Federal Reserve concurrence has been received since they actually distribute all currency. Numerous questions have been raised relative to changing the color, size or shape of the \$2 note. The continuing monochromatic, single color face and single color back design of United States currency in all denominations is based on established technical judgment of the optimal counterfeit deterrent values in this technique. Similarly, the uniform size of all denominations of U.S. currency contributes to its security in requiring users to inspect the bill before use to determine denomination.

It is critical that the public understand their wide acceptance and use of the new note will save the government money and that the new note will be produced in ample quantity so as to eliminate the previous problems of scarcity. The Harvard study indicated that today's educated public will not be deterred by the colorful superstitions of folklore regarding the \$2 bill; if any-

thing, they add to the mystique and charm of this bill.

Bankers and retailers have indicated varying degrees of concern over potential teller confusion, change-making errors, forms changes and the need for minor retraining of personnel. However, they have all indicated they could easily accommodate a new \$2 note given sufficient lead time (usually 3-4 months), a substantial volume of bills produced and wide public acceptance. Major business machine manufacturers anticipate no problems in accommodating the new note with existing equipment; Canadian merchants, who use the same cash register equipment as is used in the U.S., have no problems in accomodating the \$2 bill.

Production plans call for the Bureau of Engraving and Printing to commence printing in February and have 225,000,000 \$2 notes available for issue by Thomas Jefferson's birthday (April 13, 1976) and a yearly order of 400,000,000 notes available before July 4, 1976. This production schedule of 11 million notes per day will assure availability at each of the Federal Reserves 39 distribution points in time for public release on the date of issue.

The Treasury is planning a broad public introduction aimed at informing all Americans of the benefits and permanence of the new \$2 note. Major trade, professional and consumer association/organizations are being asked to actively support the reissuance in the public interest and to help educate their constituencies.

The public is the key factor in the circulation of coin and currency. Banks order specific denominations and block of currency from the Federal Reserve to meet their business and individual customers' needs. When a coin or bill is not popular, it is simply returned through this mechanism to the Federal Reserve Banks. These market dynamics clearly indicate that the public must recognize the importance of using the \$2 note in everyday transactions. By demanding this note, every American can participate in reducing government costs.

Detailed History of each prior \$2 bill released

U.S. NOTES (LEGAL TENDER ISSUE) LARGE SIZE

<u>Series Date</u>	<u>Total</u>	<u>Description</u>	<u>Authority for Initiating</u>	<u>Reason for Discontinuance</u>
1862	No Record	Alex. Hamilton	Act of Congress 7/11/1862	Replaced by Series 1869
1869	14,408,000	Thom. Jefferson	" 3/3/1863	" " " 1874
1874	11,632,000	" "	" "	" " " 1875
1875	11,518,000	" "	" "	" " " 1878
1878	4,676,000	" "	" "	" " " 1880
1880	28,212,000	" "	" "	" " " 1917
1917	317,416,000	" "	Authorized by Secretary Treasury William G. McAdoo	Replaced by Small Size Currency

TREASURY NOTES

1890 & 1891	24,904,000	James B. McPherson	Act of Congress 7/14/1890	No Record Available
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SILVER CERTIFICATES

1886	21,000,000	Winfield S. Hancock	Act of Congress 8/4/1886	Replaced by Series 1891
1891	20,988,000	William Windom	" "	" " " 1896
1896	20,652,000	Allegorical Vig.	" "	" " " 1899
1899	538,734,000	Geo. Washington	" "	No Record Available

FEDERAL RESERVE BANK NOTE (NATIONAL CURRENCY)

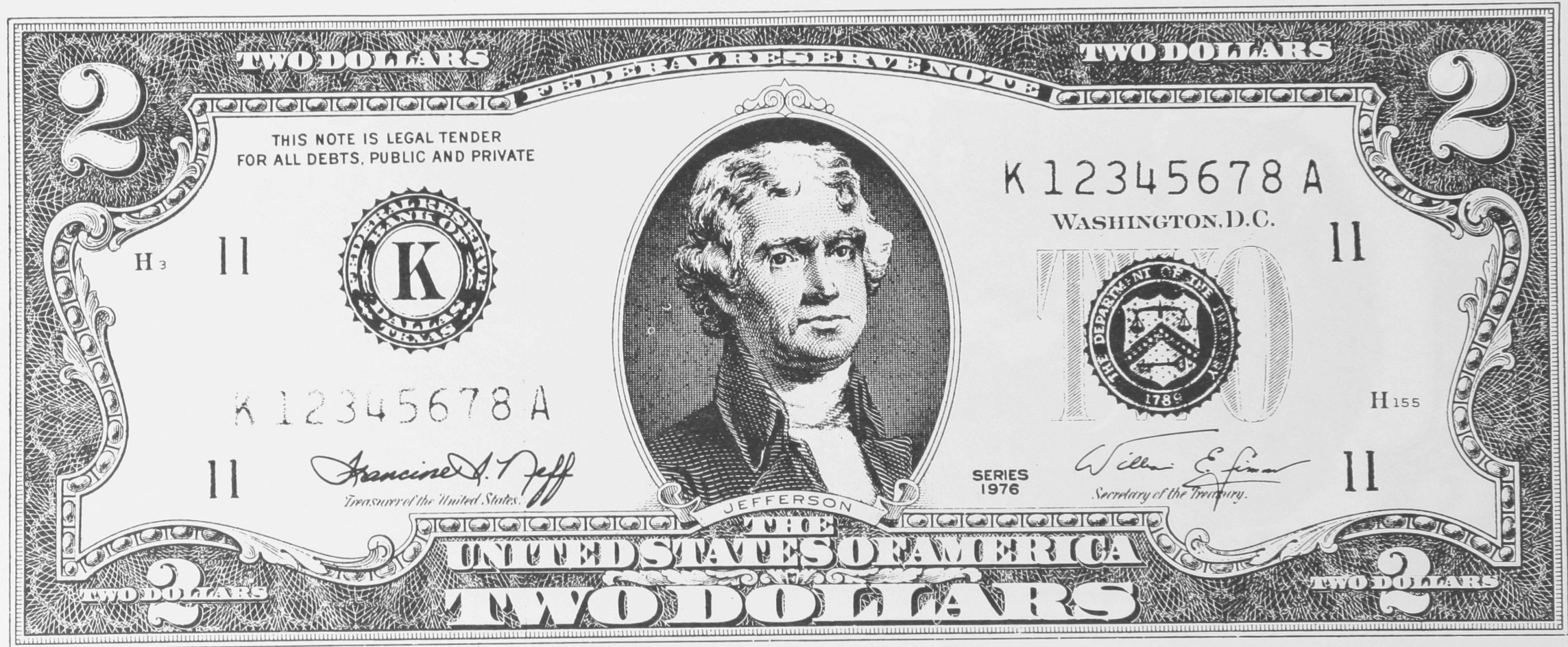
1918	68,116,000	Thom. Jefferson	Federal Reserve Acts of 1918	No Record Available
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NATIONAL BANK CURRENCY

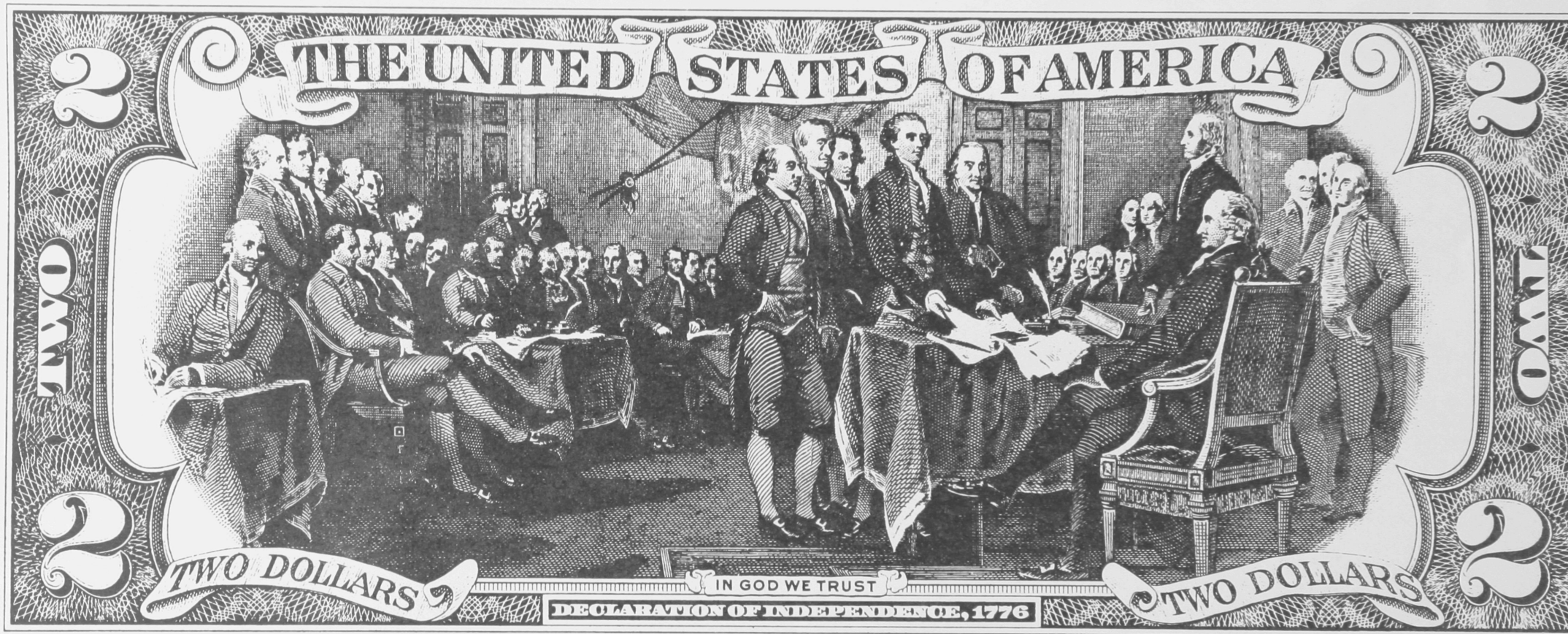
First Char- ter Period (No Series)	Not Avail.	Allegorical Vig.	Act of Congress 2/25/1863 & 6/3/1864	Replaced by Series 1875
" "	1,381,205	"	"	No Record Available
(Series 1875)				

UNITED STATES NOTES (SMALL SIZE)

<u>Series Date</u>	<u>Total</u>	<u>Description</u>	<u>Authority for Initiating</u>	<u>Reason for Discontinuance</u>
1928 thru 1928G	430,760,000	Portrait of Thom. Jefferson	Secretary of Treasury-Intro- duction of Small Size Currency	Replaced by Series 1953
1953 thru 1953C	79,920,000	"	Introduction of 18 Subject Plate	" " " 1963
1963 thru 1963A	18,560,000	"	Introduction of 32 Subject Plate	Lack of demand by the Public



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